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ABSTRACT

This paper provides current information about the funding of Washington's K-12 school finance system. Schools in Washington State derive most of their revenues from state sources. In response to a 1977 court ruling, 'Seattle v. State of Washington', the state assumed responsibility for funding "basic education" for a "uniform system of K-12 public schools." According to the court, the legislature is responsible for defining a basic education. The court also declared that financial support for basic education must be provided through state, not local sources. For the 1997-98 school year, total state, local, and federal revenue for operating purposes exceeded $5.85 billion. State revenue composes 74.7 percent of operating revenue, local property taxes 14.3 percent, federal revenue 6.8 percent, and other 4.1 percent. Currently, school districts receive a state allocation for teacher salaries and benefits based on a statewide salary-allocation schedule that is set by the legislature for each biennium. Several proposals are being considered by the legislature, some of which would allow for an approximate 6-7 percent raise for teachers over the next biennium (1999-2001), with an approximate 12 percent pay hike for beginning teachers. It is likely that any substantive increases in Washington's operating budget for the next biennium will be devoted to increases in the statewide salary-allocation schedule. (Author/MLF)

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Washington State School Finance 1999: A Special Focus on Teacher Salaries

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Washington State School Finance 1999:
A Special Focus on Teacher Salaries

This paper provides current information about the funding of Washington's K-12 school finance system. It describes some of the basic features of the school finance system in Washington and portrays sources and levels of revenues and expenditures for K-12 public education. The paper concludes with a discussion of a current, pressing issue for Washington school finance: teacher salaries.

General Background

Schools in Washington state derive most of their revenues from state sources. Article 9, Section 1 of the Washington State Constitution declares that it is the "paramount duty" of the state to make ample provision for the education of all children residing in the state. In response to a 1977 court ruling *(Seattle v State of Washington)*, the state assumed responsibility for funding "basic education" for a "uniform system of K-12 public schools." According to the court, the legislature is responsible for defining a basic education. The court also declared that financial support for basic education must be provided through state, not local, sources. The state legislature codified its interpretation of this responsibility in the Basic Education Act of 1977. This act defined full funding of basic education through the use of staff-to-student ratios which allocate resources to school districts. In 1983, again in response to a court ruling, the legislature expanded the definition of basic education to include special education programs for the handicapped, transitional bilingual programs, remediation assistance programs, and certain specified pupil transportation costs. The state thus assumed responsibility for funding these additional components of basic education. Distribution of state general apportionment revenue to each school district is based primarily on ratios of staff to students. Different ratios exist for each type of staff: certificated instructional, administrative, and classified. Additional revenues are allocated for smaller staffing ratios in grades K-3. The state provides funds to school districts based on their enrollment and the average salary allocation for each type of staff member. Basic education funds are also provided for Non-Employee Related Costs, that is, costs not associated with employee compensation, such as books, supplies and equipment, materials, and utilities.

Also in response to the court, the legislature enacted the Levy Lid Act in 1977. The Levy Lid Act placed restrictions on the amount of revenue school districts can raise locally. The levy lid was designed to limit local district levies to no more than 10 percent of a district's basic education allocation from the state and to ensure that such money provided enrichment programs at the local level. When the Levy Lid Act was passed, some school districts already collected local revenues that exceeded the 10 percent lid. These districts were given special authorization to continue their higher levies. Levy amounts for these districts were to be reduced gradually so as to eliminate higher levies by 1982. However, during the period from 1980-95, the Levy Lid Law was amended eleven times. In 1987, the levy limit was changed from ten percent to twenty percent. Under current law, districts can raise local levy amounts up

to 24% of their state and federal allocation. Also in 1987, the legislature added an additional component of state funding called local effort assistance, or levy equalization aid. Local effort assistance provides a guaranteed yield for local levies to those districts which levy above-average local tax rates to compensate for low property tax wealth. Funds are distributed according to a formula which is driven by the extent to which a district's local tax effort exceeds the state average tax effort. Equalization aid payments to school districts began in January 1989. For the 1997-99 biennium, funds for levy equalization aid account for 1.8% of the state's general fund budget for K-12 education.

Sources of Revenue

Due to Washington's obligation to fund basic education programs and services from state sources, state revenue comprises the majority of funds for schools in Washington state (74.71% of operating revenue). For the 1997-98 school year, total state, local, and federal revenue for operating purposes exceeded $5.85 billion. Provided below (Figure 1) is a breakdown of the sources of revenue for Washington schools.

Figure 1

Sources of Revenue for Maintenance and Operations
1997-98
(amounts in thousands)

Source	Amount	Percent of Total
Local Property Taxes	839,087	14.32
State Revenue	4,377,020	74.71
Federal Revenue	400,403	6.83
Other	242,324	4.14
TOTAL	5,858,834	100

The largest share of Washington's state operating budget is devoted to K-12 education. For the 1997-99 biennium, 46.5% is appropriated to K-12 schools and programs. Of the total state operating budget for K-12 schools for the 1997-99 biennium, approximately 87% is allocated for basic education. Basic education includes general apportionment as well as programs and services such as pupil transportation, special education, institutional education, transitional bilingual education, and the state's Learning Assistance Program. General apportionment (that is, the base allocation) comprises 71.9% of the state's general fund allocation. Figure 2 displays allocations for the 1997-99 biennium.

Figure 2

1997-99 State General Fund Budget for K-12 Education		
Program	Allocation (in thousands)	Percent of Total
*General Apportionment	6,940,884	71.90%
*Special Education	879,919	9.12%
*Pupil Transportation	353,904	3.67%
School Food Services	265,190	2.75%
Elementary/Secondary School Improvement	255,987	2.65%
Compensation Adjustments	196,276	2.03%
Levy Equalization	173,952	1.80%
Block Grants	106,777	1.11%
*Learning Assistance Program	121,171	1.26%
State Office and Statewide Programs	157,195	1.63%
*Transitional Bilingual Instruction	64,560	0.67%
Education Reform	41,006	0.42%
*Institutional Education	45,557	0.47%
Other Public Schools	50,749	0.53%
TOTALS	9,653,127	100.00%

*indicates basic education program

As noted above, state funding for basic education also includes support for students' special needs, including special education for the handicapped, transitional bilingual education, and the Learning Assistance Program. In 1995, a major change occurred in funding special education programs for the handicapped. During the 1995 legislative session, special education funding was set at an overall cap equal to no more than 12.7% of the total student population. Previously, special education funding had been allocated at different rates based on the type of handicapping conditions of enrolled students. In general, under the previous model, districts received higher per-student allocations for students exhibiting more severe handicapping conditions.

For the past 20 years, Washington has operated a program for low-performing students called the Learning Assistance Program (LAP). State funding for LAP during 1998-99 is $60,862,000. Districts qualify for LAP funding on the basis of a formula which accounts for the percentage of students performing below the fourth quartile on standardized tests and the percentage of students who apply for the Free or Reduced Price Lunch Program. Districts are responsible for allocating LAP funds to individual schools that serve eligible students from grades K-9.

The Washington State Transitional Bilingual Education Program serves students whose primary language is not English and whose deficiencies in English language skills impair their classroom learning. Between 1985 and 1995, bilingual students as a percentage of total K-12 enrollment grew from 1.9% to 5.1%. During this same period, the number of students to staff in bilingual programs grew from 14:1 to 20:1. In 1998-99 total state funding for bilingual education is approximately $31.28 million.

Since 1965, the Common School Construction Fund has provided state revenue for capital construction. This revenue is derived mostly from the sale of timber resources, the 1.3 million acres of state school lands set aside in 1889 to fund education. Beginning in 1990, the legislature added a state General Fund appropriation to the Common School Construction Fund. Additionally, Initiative 601, the state's spending limit, established conditions under which excess state revenue can be deposited in an Education Construction Fund. Moneys from this fund may be appropriated by the legislature for capital construction projects for higher education institutions and the K-12 system. School districts acquire funds for capital projects through bond sales, investment earnings on proceeds from these sales, and a state matching program for school construction and modernization. Districts receive state assistance based on their per-pupil property wealth.

Local property tax revenue is estimated to generate approximately $6.2 billion statewide during the 1997-99 biennium. Local taxes which generate revenues for schools often are referred to as "special levies" (because they require local voter approval) or "excess levies" (because they exceed the state's 1% limit on property taxes). Four types of levies can be raised: (1) maintenance and operations (M&O), one or two year levies devoted to district operations, (2) debt service, multi-year levies used to pay principal and interest on general obligation bonds, (3) capital projects, one to six year levies used to pay for school construction or remodeling, and (4) transportation vehicles, one or two year levies used to pay for school buses or other school transportation needs. Maintenance and operations levies constitute the most frequently occurring type of levy. All levies require voter approval.

The past two decades have seen significant changes in the percentage of school revenue from local tax sources. In 1974-75, for example, excess general fund levies accounted for almost one third (32.23%) of total revenue. As a direct result of changes in the state's school finance formula, that figure fell to 8% by 1980-81. Since 1980-81, the percentage of total revenue from local tax sources has slowly and steadily increased. In 1997-98, local tax sources reached 14.32% of total revenue.

Federal revenue accounts for 6.83% of total operating revenue in Washington. Approximately 30% of federal revenue is derived from the Elementary and Secondary School Improvement money, a little more than a quarter (28%) is derived from the School Food Services program, 12% from the Supplemental Handicapped fund, 10% from Federal Impact Aid, and 6% from federal forest revenues.

Levels of Expenditures

Washington's 1997-98 general fund expenditure by activity is provided in Figure 3. Spending on teaching activities accounted for approximately two-thirds (61.1%) of general fund expenditures, and adminstration expenditures (at both central and building levels) accounted for 13.4% of total general fund expenditures.

Figure 3

General Fund Expenditures by Activity
1997-98
(amounts in thousands)

Type of Activity	Amount	Percent of Total
Teaching	3,576,611	61.1
Teaching support	480,843	8.2
Other supports	1,015,856	17.3
Building Admin.	363,678	6.2
Central Admin.	416,502	7.2
TOTAL	5,853,490	100

The Budget Surplus, the Spending Limit, and Teacher Salaries

Washington state has been experiencing a more robust state economy than anticipated. Factors such as lower than expected rates of unemployment, inflation, and student enrollment growth, combined with higher consumer confidence, has contributed to a substantial state budget surplus for the 1999-2001 biennium. The dominant theme in the legislative debate over the 1999-2001 budget is the extent to which the budget surplus will be directed at increases in the state allocation formula for teacher salaries.

A complication in the debate about funding teacher salaries is Initiative 601, the state's spending limit, which was adopted by the voters in 1993 and went into effect in 1995. This initiative imposes a limit on the state's general fund expenditures, restricts the legislature's ability to raise taxes and fees, provides for a required reserve fund, and restricts the ability of the legislature to transfer program costs to local governments. The spending limit can be increased at a rate over the previous year which is not greater than the sum of population growth and inflation. If state revenues exceed that limit, the excess is deposited into an emergency reserve fund. In order to exceed the spending limit, a two-thirds vote of both houses and the majority vote of the people at a general state election are required.

The existence of a budget surplus has resulted in mounting pressure for the legislature to increase the statewide allocation formula for teacher compensation. Over the years, Washington's average teacher salary has typically hovered near the national average. According to statistics published by the American Federation of Teachers, in 1987-88, Washington ranked 18th in the nation in average teacher salary, posting an average teacher salary at 101% of the national average. In 1997-98, Washington ranked 19th in the nation, at $38,179, or 98.5% of the national average. However, the average salary for Washington's beginning teachers for 1997-98 ($23,933) is only 61.6% of the national average of $25,735, giving Washington a rank of 48th in the nation for beginning teacher salaries.

Several observers attribute the pressure for increased state allocations for teacher salaries to the existence of a state budget surplus, a claim that teacher salaries have lost ground with respect the rise in the cost of living in the past five years, and the impact on teachers of the implementation of ambitious statewide reform measures which began in 1993.

As mentioned previously, Washington's finance system is a full state funding model. Consequently, local districts are highly dependent on state revenues to support any increases in teacher salaries. Some brief background of how teacher salaries and benefits are funded by the state is provided below.

The Structure of Teacher Compensation

Since the passage of the Basic Education Act in 1977, a number of legislative actions were taken as part of an effort to control the costs of state funding for basic education. Some of these actions were focused on limiting the rate of growth of teacher salaries and benefits. Beginning in 1981-82, the state prohibited local school districts from providing teachers with an average salary and benefits level in excess of the amount set for the district by the legislature. These restrictions were relaxed by the legislature in 1987-88 when districts were allowed to exceed their salary limit by adding pay for additional time worked, additional responsibilities, or as separate incentives. These excess payments are issued through separate contracts with teachers.

Currently, school districts receive a state allocation for teacher salaries and benefits based on a statewide salary allocation schedule which is set by the legislature for each biennium. The allocation schedule for the 97-99 biennium ranged from $22,950 for a beginning teacher with a Bachelor's degree to $48,141 for a teacher with 15 years or more experience and a Master's degree plus 90 credits (or a Ph.D.). There are 262 of the state's 296 districts which receive an allocation equal to the statewide allocation schedule. A 1995 report of the State of Washington Legislative Budget Committee found that "... the state allocation system, which was designed as a budget tool for the state to distribute money to local districts for teachers' salaries, has in effect become a compensation system at the local level."

Current Funding Proposals

Several proposals are being considered by the legislature, some of which would allow for an approximate 6-7 percent raise for teachers over the next biennium (1999-2001), with an approximate 12 percent pay hike for beginning teachers. Some proposals also call for providing additional teacher work days as another strategy for boosting compensation levels. Some of the additional issues being debated include issues related to equity of compensation. For example, the statewide salary allocation schedule is not adjusted for regional cost-of-living differences within the state, thereby creating disparities in the real purchasing power of teachers by geographic region of the state. Another equity issue concerns the fact that teachers reach the top

of the salary schedule for experience at 15 years, and then can only accrue additional salary by increased education credits or by cost-of-living adjustments.

The Washington Education Association, representing about 67,000 teachers and school employees, has called for a 15 percent pay increase across all salary categories. Several teachers' associations in the Puget Sound region have approved one day walkouts in April 1999 to protest insufficient salary levels. The legislative session is scheduled to end on April 25, 1999, but it is possible that the session will be extended.

It is noteworthy that despite the state's widespread efforts regarding the development and implementation of statewide learning standards and performance-based assessments, most, if not all, of the fiscal attention at the state level for the next biennium is riveted on the issue of teacher salaries. There is little evidence of increased levels of support for new professional development programs nor is it clear how measures currently being considered to address the accountability aspects of the state's reform plan will be financed. Alternative forms of teacher compensation, such as knowledge or skills-based pay, have not received any significant legislative attention. It is likely that any substantive increases in Washington's operating budget for the next biennium will be devoted to increases in the statewide salary allocation schedule.

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